

DPL 2022 RFP Tranche 1 Public Report

Presented to the Delaware Public Service
Commission

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Executive Summary

Siemens PTI has completed its monitoring activities as the Technical Consultant for Delmarva Power & Light's (DP&L) Tranche 1 Auction event, which solicits bids for the Standard Offer Service (SOS), held on November 29, 2021.

Siemens PTI concludes that:

- Energy markets are at elevated levels currently, but the conditions were not so adverse as to delay the auction
- Opening bid prices for the Tranche 1 auction were set at a level that reflected the market and encouraged greater supplier participation
- The auction process was conducted in a manner consistent with the RFP guidelines end-to-end
- The level of participation for all the blocks that were auctioned indicating that the process was quite competitive
- The winning bid prices for all blocks were in line with the current market conditions and further indicated a competitive auction process

Siemens PTI's Role

Siemens PTI independently monitored the SOS RFP process and specifically:

- Reviewed the tasks and materials related to supplier communication pre- and post-auction
- Reviewed website access controls for bidders as well as DP&L staff
- Monitored bidder eligibility
- Confirmed Enel X's fees
- Developed a power market assessment and approved opening prices
- Monitored the auction event remotely and confirmed the results with the Commission staff and Enel X

Overview of Auctions

The Tranche 1 Auctions were held to procure power for all customer classes mentioned below for a total of 311 MW.

- The contracts for the RSCI service type have delivery periods of June 1, 2022 to May 31, 2024. MGS, LGS and GS-P contracts have delivery periods of June 1, 2022 to May 31, 2023.

Service Type	Term (months)	Blocks	Block Size (MW)	Total MW
Residential & Small Commercial & Industrial (RSCI)	24	4	54	216
Medium General Service – Secondary (MGS)	12	2	34	68
Large General Service – Secondary (LGS)	12	1	7	7
General Service – Primary (GS-P)	12	1	20	20
Total		8		311

Level of Participation – Number of Bidders

The level of participation in the Tranche 1 2022 RFP was high resulting in a competitive bidding process.

- All Eligible Bidders participated in the Tranche 1 Auctions

Count	2016	2017	2018	2019	2020	2021	2022
Expression of Interest (EOI)	11	12	12	10	12	13	12
Eligible Bidders	8	8	7	7	9	9	8
Actual	8	6	6	6	9	9	8

Bid Activity

The number of bidders and bids placed for each block in Tranche 1 this year (delivery year 2022) was slightly lower year over year (compared to delivery year 2021), however the level of participation was still high enough to promote a competitive bidding process

Class/Block	Tranche 1 Number of Bidders		Tranche 1 Number of Bids	
	2021 RFP	2022 RFP	2021 RFP	2022 RFP
RSCI - Block 1	7	7	24	27
RSCI - Block 2	8	7	15	13
RSCI - Block 3	8	7	14	12
RSCI - Block 4	8	7	15	11
MGS - Block 1	8	7	14	16
MGS - Block 2	8	7	16	14
LGS	5	5	8	12
GS-P	5	5	11	10

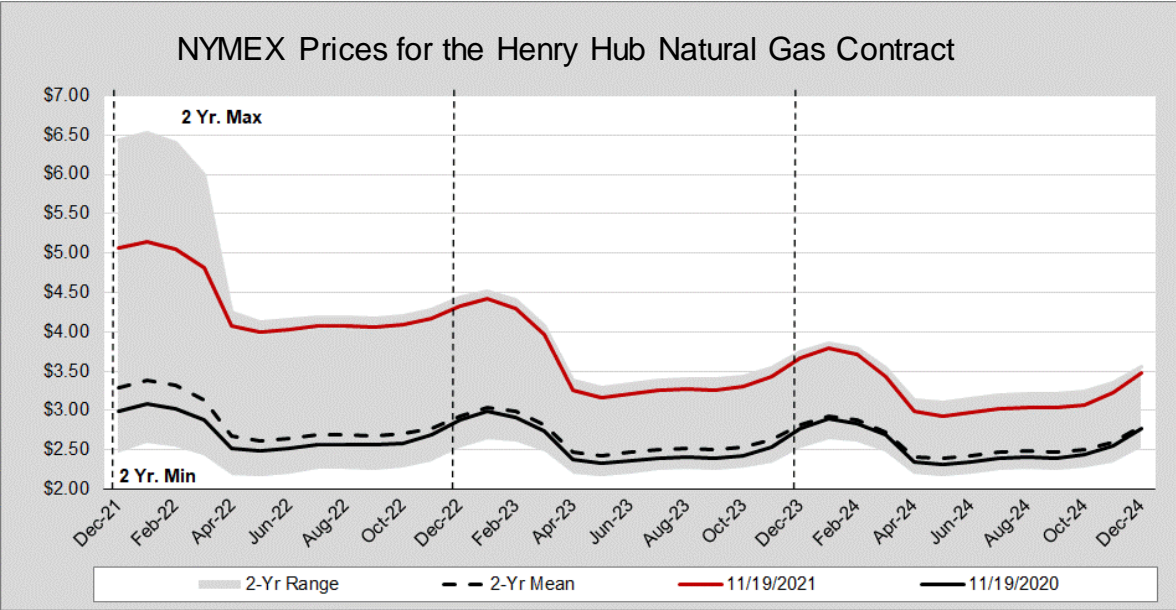
Markets Assessment

Prior to the Tranche 1 auctions, Siemens PTI independently assessed the market conditions and submitted a pre-bid market assessment report to achieve the following goals:

- Identify and analyze the adverse market conditions that could warrant postponing of the Tranche 1 auctions
- Establish Opening Prices for each block of all the service types
- Review and verify Enel X's estimate of the range of expected winning prices for each service type

Siemens PTI concluded that there were no severely adverse market conditions that would require postponing the Tranche 1 auctions, and they should continue as planned.

Gas Market Forward Outlook



Following the extreme weather in the last winter, the natural gas prices in the US have continued to rise and this rise has been coupled with an elevated level of price volatility

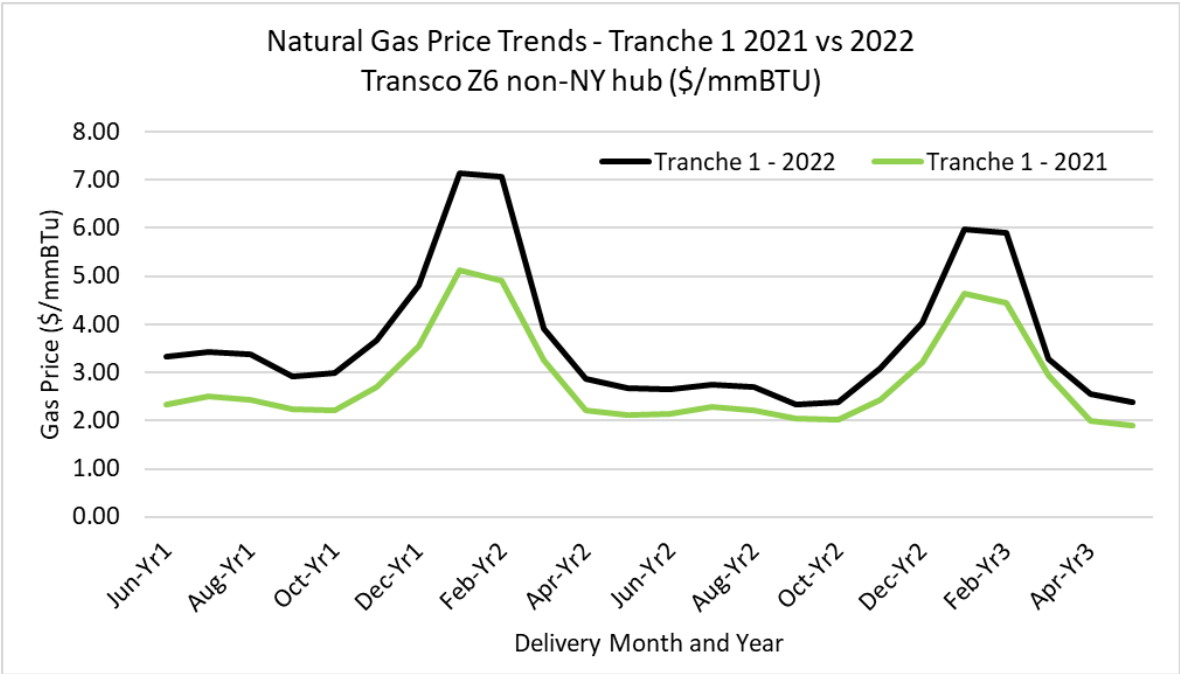
- Rebounding natural gas demand across sectors
- Demand growth outpacing production growth
- Depleting storage levels of natural gas

The year 1 12-month strip price* for Transco Zone 6 Non-NY trading location is over 35% higher year-over-year

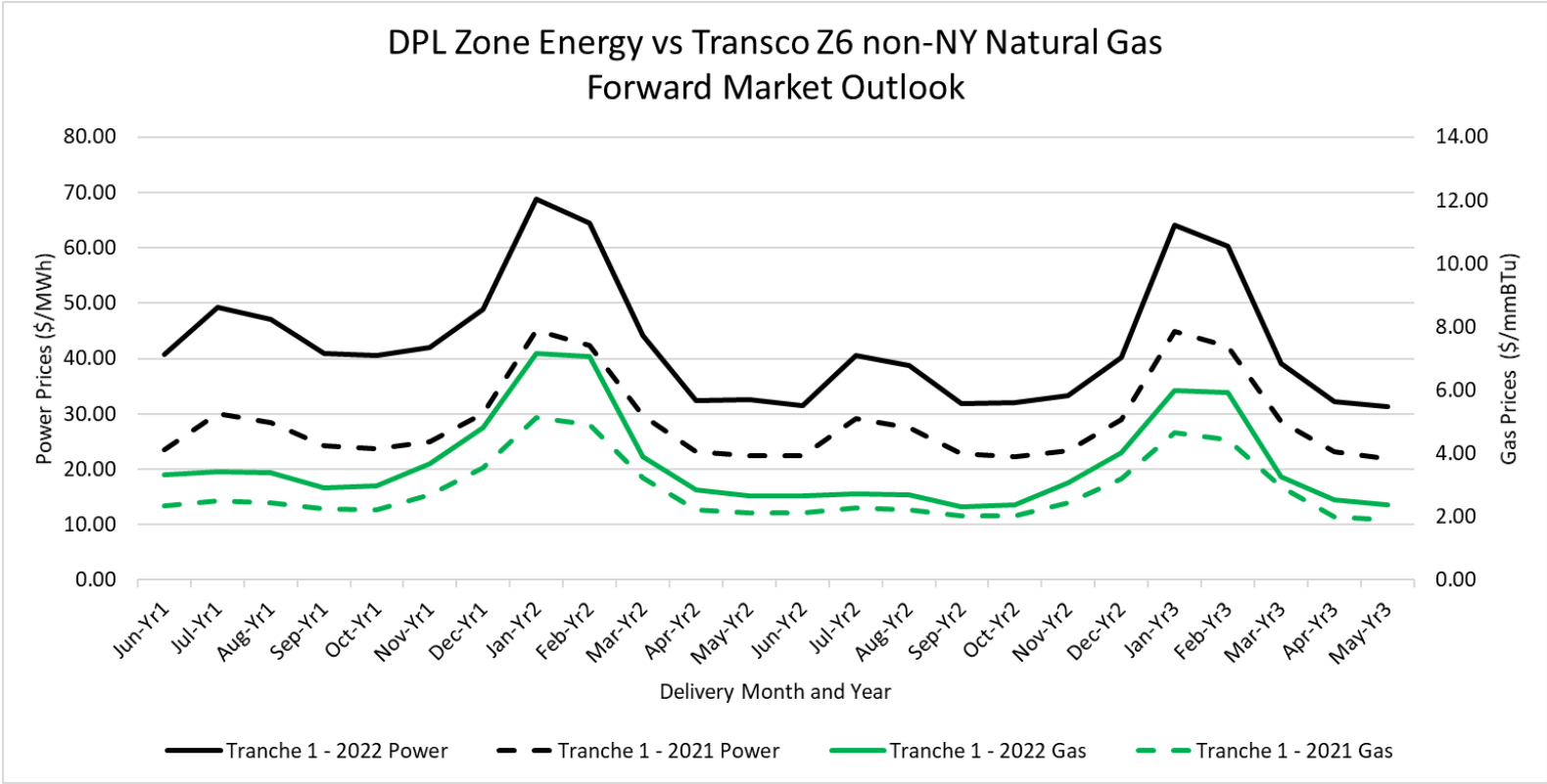
The year 2 12-month strip price is over 23% higher year-over-year

The Forward market for natural gas is backwarddated

*Strip Price is the average of forward market pricing for the specified term

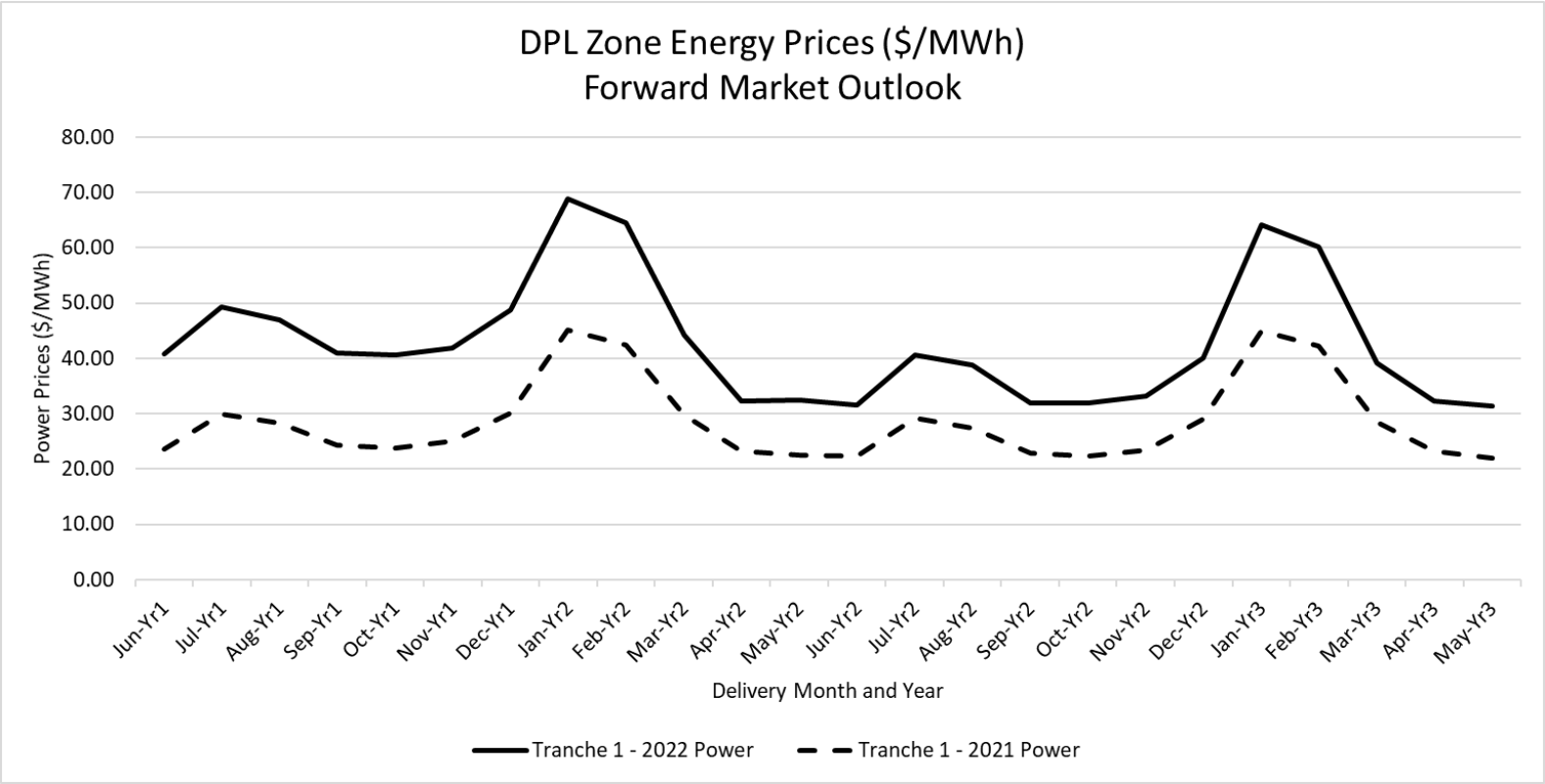


The PJM forward markets for power are closely correlated with the corresponding gas markets



- Natural gas fired generation tends to be on the margin thereby determining the Locational Marginal Prices (LMPs) for power in the PJM market
- The DPL zone forward prices for power are positively correlated with the Transco Zone 6 Non-NY prices for the corresponding months
- The current forward prices for both natural gas and power are much higher year-over-year.

PJM Power Market Forward Outlook



- The PJM power prices have followed the natural gas prices and exhibit higher pricing compared to last year
- The year 1 12-month strip price for PJM's DPL zone is over 55% higher year-over-year
- The year 2 12-month strip price is over 40% higher year-over-year

Current PJM Capacity Market

Delivery Period	Nov-19 Auction	Nov-20 Auction	Nov-21 Auction
June 2020 - May 2021	\$175.11	-	-
June 2021 - May 2022	\$162.79	\$164.89	-
June 2022 - May 2023	-	\$151.70*	\$97.75
June 2023 - May 2024	-	-	\$118.12*

* Highlight indicates Commission approved Proxy Price was used as capacity price for the specific delivery period

- The Minimum Offer Price Rule (MOPR) from FERC continues to impact PJM's capacity markets
- The delayed base residual capacity auction for 2023/24 will now be held on Jan. 25, 2022
- The pricing for all blocks in the 2022 RFP is impacted by the capacity prices for the 2022/23 PJM period
- The pricing for the RSCI blocks is also impacted by 2023/24 prices

Conclusions and Recommendation

Siemens PTI concludes the following:

- Energy markets are at elevated levels currently, but the conditions were not so adverse as to delay the 2022 RFP process
- Opening bid prices for the Tranche 1 auction were set at a level that reflected the market and encouraged greater supplier participation
- The auction process was conducted in a manner consistent with the RFP guidelines end-to-end
- The actual auction was well run on the Enel X auction platform and given the level of participation from suppliers led to a competitive outcome
- The winning bid prices for all blocks were in line with the current market conditions and indicated a competitive auction process

Siemens PTI recommends approving the winning bids.

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